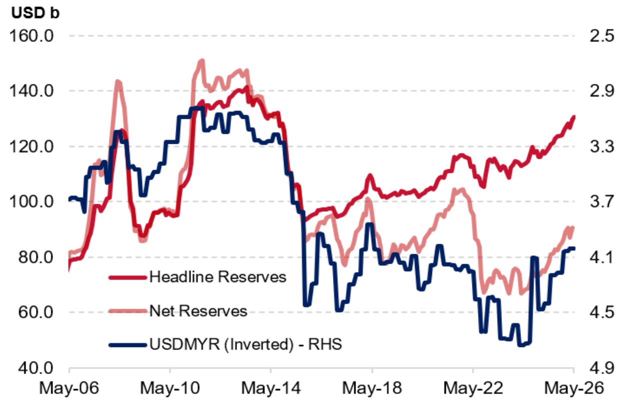
BNM International Reserves (end-May)

Holds near 12-year highs despite sizeable portfolio outflows

- **Bank Negara Malaysia (BNM) international reserves increased by USD0.9b (+0.7% MoM) to USD130.6b as of 29 May 2026, approaching a 12-year high**
  - Import cover eased slightly to 4.6 months (Apr: 4.7 months), while the reserves-to-short-term external debt ratio held at 0.9x.
- **Reserve accumulation driven by higher FX assets**
  - **Foreign currency reserves** rose USD0.9b (+0.8% MoM) to USD114.7b, despite sizeable portfolio outflows during the month. Net FX reserves climbed to USD81.1b in April (Mar: USD77.7b), the highest level in nearly four years, as predetermined short-term foreign currency obligations narrowed to USD32.7b (Mar: USD33.1b), mainly on lower foreign currency loans, securities and deposits.
  - **Net short FX forward position,** meanwhile, widened to USD24.5b (Mar: USD23.2b), signalling continued efforts to smooth excessive FX volatility.
  - Gold, other reserve assets, special drawing rights and the IMF reserve position remained broadly unchanged.

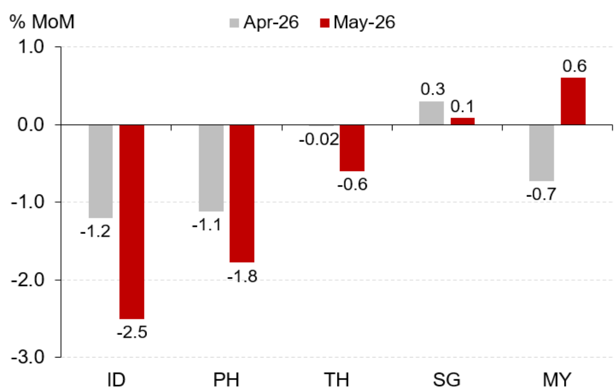
Graph 1: BNM's International Reserves



Source: BNM, Macrobond, Kenanga Research

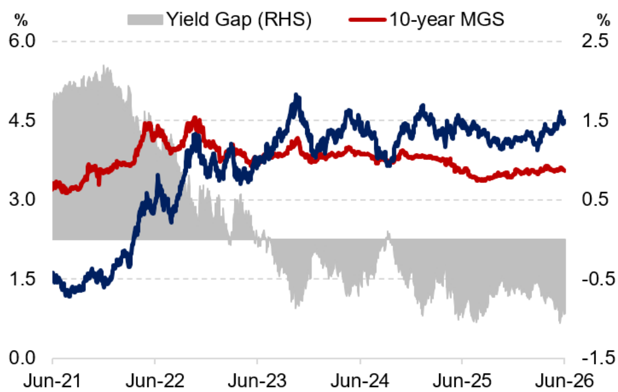
- **In ringgit terms, total reserves up by RM3.6b (+0.7% MoM) to RM527.2b in May, a one year high**
  - **USDMYR monthly performance:** The ringgit reversed most of April's losses, appreciating 0.6% in May and averaging 3.95/USD (Apr: 3.98/USD). The MYR strengthened towards 3.91/USD in early May on optimism around potential de-escalation in the Middle East. Gains gradually faded, however, as US-Iran negotiations stalled and stronger US inflation data reinforced expectations of a prolonged restrictive Fed stance. Rising US yields and renewed geopolitical uncertainty subsequently pushed USDMYR back towards the 3.95-3.98/USD range by month-end, with investors maintaining defensive FX positioning despite pockets of improving risk sentiment.
  - **Regional FX:** All ASEAN-5 currencies, except for MYR (+0.6%) and SGD (+0.1%), weakened against the USD even as the DXY easing marginally to 98.7 in May (Apr: 98.8). The IDR led regional losses (-2.5%), followed by the PHP (-1.8%) and THB (-0.6%). Elevated oil prices, persistent geopolitical tensions and higher US yields continued to underpin USD demand, keeping EM currencies under pressure.
- **BNM to prioritise policy stability as inflation stays contained and growth momentum holds**
  - **Monetary Policy Outlook:** Headline inflation has remained benign, though sustained disruptions around the Strait of Hormuz continue to pose upside risks via higher imported fuel, fertiliser and logistics costs. **Resilient domestic demand and still-contained underlying inflation should allow BNM to keep the OPR at 2.75% throughout 2026.** Policy stability to remain the central objective; heightened external uncertainty and a relatively resilient ringgit provide the central bank with sufficient flexibility to stay on hold.
  - **USDMYR year-end forecast (3.95; 2025: 4.06):** We maintain our 2026 year-end USDMYR forecast at 3.95. Our constructive medium-term view on the ringgit is driven less by the precise number of Fed rate cuts and more by expectations of a broader structural weakening in the USD, supported by reserve diversification, portfolio reallocation and growing concerns over US fiscal sustainability. **Domestic fundamentals remain supportive, with foreign currency deposits reaching a record RM305.8b in April, highlighting substantial latent conversion potential into ringgit over time.** That said, risks have become more balanced. While geopolitical tensions in the Middle East could keep oil prices, inflation expectations and USD demand elevated for longer, we view domestic political developments are an increasingly important source of market sensitivity.

Graph 2: ASEAN-5 Currencies (monthly average)



Source: Macrobond, Kenanga Research

Graph 3: 10-Year US Treasury vs. MGS Yield



Source: Bloomberg, Kenanga Research

Table 1: Latest Update and Historical Milestone for BNM Reserves

	Month	RM bil O/stand.	Change from previous month RM bil	USDMYR End Period	US bil O/stand.	Change from previous month US bil	Months of retained Imports.	Times of ST Debt
Pre crisis high	Jan-94	89.99	13.51	2.7598	32.61	4.29	na	na
Start of Asian Financial Crisis (AFC)	Apr-97	70.93	-1.26	2.5110	28.25	-0.87	na	na
Reserves at its lowest in USD term	Nov-97	61.30	-0.40	3.5022	**17.50**	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	**4.3990**	20.25	-1.46	3.2	na
Govt imposed capital control and pegged ringgit at 3.80 to USD	Sep-98	81.51	23.6	3.8000	21.45	1.22	4.4	na
USDMYR peg removed	Jul-05	297.17	13.07	3.7978	78.25	3.48	9.0	7.6
Highest level post USDMYR de-peg (before GFC)	Jun-08	410.87	10.73	3.2665	125.78	0.59	10.0	5.1
Biggest single month decline in USD-terms	Sep-08	379.35	-20.83	3.4567	109.75	**-12.84**	9.0	4.1
Lowest level during the Global Financial Crisis	May-09	322.47	2.07	3.6513	88.32	0.59	8.3	3.8
Highest Level (in USD term)	May-13	436.80	3.52	3.0884	**141.43**	1.12	9.5	4.3
Highest Level (in MYR term)	Aug-24	**550.45**	9.19	4.7128	116.80	2.14	5.4**	1.0
End-2022	Dec-22	503.33	16.48*	4.3900	114.65	-2.24*	5.2**	1.0
End-2023	Dec-23	520.75	17.53*	4.5890	113.48	-1.18*	5.4**	1.0
End-2024	Dec-24	520.16	-0.73*	4.4764	116.20	-2.74*	5.0**	1.0
End-2025	Dec-25	509.78	-10.35*	4.0620	125.50	9.28*	4.7**	1.0
Latest release	**May-26**	**527.24**	**3.56**	**4.0371**	**130.60**	**0.86**	**4.6****	**0.9**

Source: Dept. of Statistics, Kenanga Research, CEIC, Bloomberg
*: Change from the preceding year
**: Imports of goods and services (effective from 22 February 2022)

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